



dominion textile inc.

Annual Report  
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■ Dominion Textile Inc., which began operations in 1905, is the largest Canadian manufacturer of textiles and related products, with worldwide manufacturing and sales activities.

■ In Canada, the Corporation is engaged in the design, production, finishing and marketing of a wide range of spun yarns for knitters and weavers; woven fabrics for the apparel industry including indigo-dyed denim and corduroy; consumer products such as sheets, bedspreads, blankets, towels, knitted sportswear and underwear; industrial products of cotton, man-made fibres and continuous filament yarns engineered to meet the requirements of many manufacturing and process industries.

■ Operations outside Canada include the manufacture and sale of denim, polyester/cotton yarn, interlining and fusible fabrics for the apparel industry and plastic products.

■ The Corporation operates 25 plants in Canada, 6 in the United States, 6 in Europe, 1 in Hong Kong and 1 in South America. Worldwide employment at June 30, 1981 was 13 700.

■ The registered office is located at 1950 Sherbrooke Street West, Montréal, Québec.

**Stock Transfer Agent, Registrar and Dividend Disbursing Agent**

The Royal Trust Company: principal offices in Montréal, Toronto, Winnipeg, Regina, Calgary and Vancouver

**Trustee: 5¾% Convertible Debentures, 1992**

Montreal Trust Company: principal offices in Montréal, Toronto, Winnipeg, Calgary and Vancouver

**Stock Exchange Listings**

Montréal and Toronto

**Annual Meeting**

The annual meeting of shareholders will be held at 3:30 p.m., Eastern Standard Time, on Wednesday, 28 October 1981, at Le Château Champlain Hotel, Place du Canada, Montréal

**Valuation Day Values (22 December 1971)**

Common — \$21.00  
(Split 3 for 1 — October 1972)

Cumulative First Preferred — \$101.00

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**Our Cover**

These fast moving harnesses captured in action on one of the most modern *shuttleless weaving* machines express the direction of the new textile technology: increased efficiency and productivity in concert with improved working environment and energy savings.

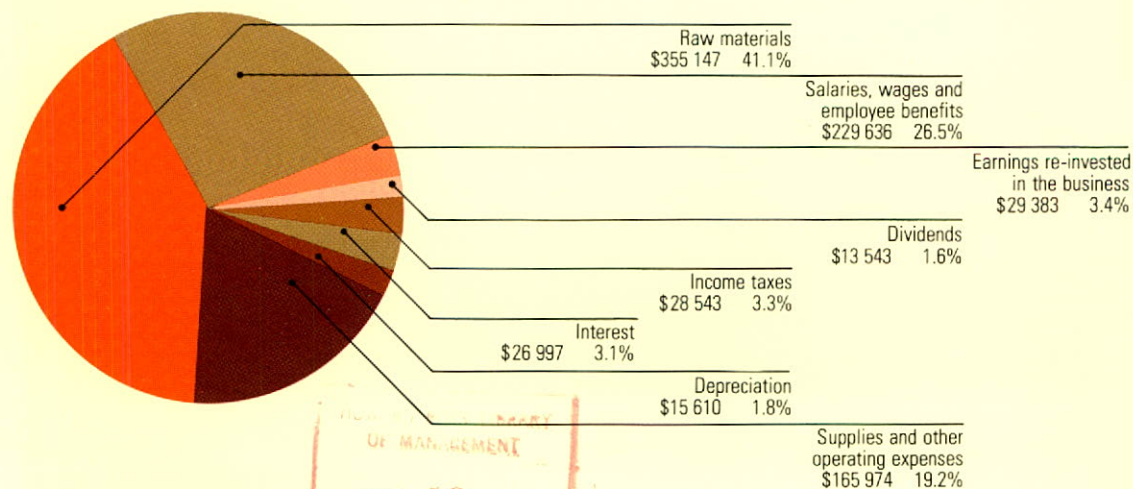
## Highlights

(in thousands of dollars)

	1981	1980
Sales	<b>\$864 833</b>	\$756 944
Net income	<b>42 926</b>	34 946
Net income applicable to Common shares	<b>40 288</b>	32 414
Funds generated from operations	<b>\$ 70 285</b>	\$ 59 819
Additions to fixed assets	<b>63 852</b>	33 449
Working capital	<b>\$251 798</b>	\$190 598
Total assets	<b>655 626</b>	541 746
Long term debt	<b>159 845</b>	119 044
Shareholders' equity	<b>278 819</b>	223 448
In dollars per Common share:		
Net income — Basic	<b>\$ 3.93</b>	\$ 3.66
— Fully diluted	<b>3.91</b>	3.55
Funds generated	<b>6.60</b>	6.46
Dividends	<b>1.06</b>	0.94
Book value	<b>23.14</b>	21.50
Market price — High	<b>22.25</b>	16.50
— Low	<b>13.50</b>	12.00

## Distribution of 1981 Sales Dollar

(in thousands of dollars)



## Dominion Textile Inc. Annual Report 1981

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### The year's results

We are pleased to report to our shareholders that new records were established in sales and earnings again this year.

- Consolidated sales of \$864.8 million were 14% higher than the previous year.
- Net income rose to \$42.9 million, an improvement of 23% over fiscal 1980.
- Earnings per Common share increased by \$0.27 to \$3.93 after allowing for the issuance of nearly 1.8 million new shares.

### Factors affecting earnings

In difficult conditions for the textile industry around the world, the record results of Dominion Textile confirm the soundness of the fundamental policies adopted over the years. The strategies of geographic and product diversification reduced our vulnerability to economic downturn. The policy of acquiring multi-purpose equipment enabled us to respond quickly to market changes and permitted us to operate most of our plants at high levels of activity even under adverse economic conditions in North America.

- In Canada, declines in the results from the Industrial Products and Sales Yarn Divisions were more than offset by increases in the Apparel Fabrics and Consumer Products Divisions.

- In the United States, Swift Textiles continued its strong performance. Linn-Corriher, which was acquired last year, contributed positively to the overall results although its operations were adversely impacted by a weak sales yarn market in North America. The divestment of the interlining business in the United States in 1980 also contributed to improved results.

- The contribution from the International Division was down due mainly to a poor economy in Europe and to foreign exchange translation losses.

### Dividends

- The dividend on Dominion Textile's Common shares was increased from \$0.25 to \$0.28 per quarter starting with the dividend paid on April 15, 1981.

- This raised the Common share dividend paid in fiscal 1981 to \$1.06, an increase of 13% over the previous year.
- The Dividend Reinvestment and Share Purchase Plan introduced this past year is very popular with our shareholders. Currently, about 35% of the quarterly dividend is being reinvested. The shares purchased under this program are eligible for the Québec Stock Savings Plan.

### Capital expenditures

Capital expenditures of \$63.9 million were the highest by far in the Corporation's history due, in part, to the policy enunciated in last year's report of accelerating the program to re-equip the Corporation with the latest textile machinery.

- In Canada, expenditures rose over 33% to \$32.1 million.
- Spending on the new denim manufacturing facility which is now nearing completion in Columbus, Ga., amounted to \$25 million.
- Details of other major projects undertaken during the year will be found in the divisional sections of this report.

### Financing

The financial markets in North America were increasingly volatile during the year. We anticipated the worsening trend and moved aggressively to finance our capital expenditure program in the first half of the year. Major items were:

- A highly successful issue of 1 500 000 Common shares which raised over \$22 million.
- A long term debt issue of \$30 million in Canada at a fixed rate of interest of 14%.
- Long term debt of U.S. \$18 million at 13.7% raised in the United States.
- An increase in the lines of credit with Canadian and United States banks.



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### **New horizons**

We continued to seek opportunities for expansion in areas of promising business potential and maintained the customary scrutiny of our products and investments to determine whether or not the less profitable segments were capable of improvement.

During fiscal 1981, the Corporation:

- Sold its interest in DHJ-Facemate Corp. in the United States to concentrate on expanding the interlining network in more profitable and growing markets elsewhere in the world.
- Acquired the remaining 75% interest in SENFA, a modern and efficient fusible coating plant in Sélestat, France.
- Acquired our partner's interest in DHJ Industries (Hong Kong) Limited, an important distributor of interlining products in Asia.
- Entered into an agreement with an agency of The People's Republic of China for processing interlinings in that country.
- At its Mount Royal Dyehouse in Montréal, added the dyeing of texturized polyester filament yarn to its production of dyed spun yarn of both cotton and man-made fibres.
- Phased out the Tremont worsted spun yarn operation in Montréal as no long term future for this business was foreseen.

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### **National textile policy**

The key elements of the Federal Government's recently announced policy for the Canadian textile and clothing industries are:

- The continuance of restraint arrangements with certain low-wage supplying countries.
- The creation of a new agency to administer a \$250 million fund for efficient firms in the textile and clothing industries qualifying for assistance in modernization programs.

The Government's avowed purpose is to secure for Canada a viable and competitive textile and clothing sector. Its intention is to negotiate long term bilateral agreements on a product-by-product and country-by-country basis with those developing sources with which Canada now has bilateral arrangements.

While we welcome our Government's intention to negotiate long term bilateral agreements, the negotiations must be pursued vigorously, aggressively and as quickly as possible. The success of the Government's textile program depends on the success of these negotiations.

Decisions with respect to the extent and direction of the Corporation's ongoing capital expenditure programs will obviously be influenced by the results of the Government's actions over the next few months.

A major part of the textile industry's difficulties in Canada is related to the garment sector's continuing ability to absorb huge quantities of imports. Canada's problem is not unique, however, and negotiations are on-going among some 50 nations representing both developed and developing textile and clothing producers concerning the renewal of the Multi-Fiber Arrangement which is intended to provide an orderly framework for the worldwide textile trade.

At recent talks in Geneva the developed countries have made it clear that exporting nations cannot expect a significantly more liberal system to emerge from the present negotiations. All concerned are conscious of the need to encourage a meaningful North-South dialogue. However, there must also be an implicit recognition that there is a collective responsibility regarding trade in textiles to which all countries, and in particular, the newly industrialized countries such as Korea, Hong Kong and Taiwan, must respond. Canada, with one of



Ronald H. Perowne, Chairman of the Board, and Thomas R. Bell, President and Chief Executive Officer.



the highest rates of per capita acceptance of low-cost textile and clothing imports, already offers a substantial response to this objective.

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### Organization

During the year we further adjusted senior management responsibilities in keeping with our growth and divisionalized structure.

In this connection:

- Mr. Alex R. McAslan was appointed Group Vice-President for Sales Yarn and Industrial Products, Canada, and Swift Textiles, Inc. and Linn-Corriher Corp., U.S.A.
- Mr. John A. Boland, Jr., was appointed Vice-President of Dominion Textile and Chairman of Swift Textiles, Inc. and Linn-Corriher Corp., reporting to Mr. McAslan.
- Mr. C. Robert Koon was appointed President, Swift Textiles, Inc., succeeding Mr. Boland.
- Mr. Paul-Émile Boudreault was appointed Vice-President, General Manager, Sales Yarn Division following the retirement of Mr. Robert M. Wilson after more than fifty years of distinguished service to Dominion Textile.
- Mr. E. John Macfarlane replaced Mr. McAslan as Vice-President, General Manager, Industrial Products Division.

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### Outlook

Our major Canadian labour contracts come up for renewal during the course of the new year, most in February 1982. Hard bargaining can be anticipated but we expect a realistic attitude on the part of our employees and their representatives and have no reason to believe that the contracts will not be settled equitably.

With regard to the outlook for 1982, the fundamentals required for a sound operation which are within the control of Dominion Textile are most certainly positive. Knowledge of our markets, diversified product lines, sophisticated yet flexible operating techniques and, above all, a talented and highly motivated work force at all levels are ingredients for success.

However, the rate of inflation, level of interest rates and the relative value of world currencies are far too uncertain to permit a firm and positive outlook. These are factors over which we do not have control, but which will have a great bearing on the performance of the Corporation in fiscal 1982.

It is well recognized that in Canada the weakened dollar coupled with high interest rates places our products in a preferred competitive position. At the same time, these very factors place an enormous additional strain on our financial resources, coming as they do when our requirements for American and European textile machinery and raw materials are at their highest.

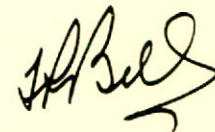
In combination, these various factors have enabled the Corporation to achieve an increase in quarterly earnings per share for twenty-two consecutive quarters on a year-over-year basis. They have permitted Dominion Textile to achieve results that place it in the very forefront of North American textile producers and, with some improvement in the Canadian and world economies, we would expect a continuation of this pattern.

Our valued employees deserve sincere thanks and congratulations from the Board for the excellent results. It is through their efforts that Dominion Textile has achieved its outstanding record.

Submitted on behalf of the Board



Ronald H. Perowne  
Chairman of the Board



Thomas R. Bell  
President and  
Chief Executive Officer

Montréal, Québec  
August 5, 1981.



Textile manufacturers in the 18th century led the Industrial Revolution by introducing the concept of producing goods on an infinitely larger scale through the efficient use of machines. Methods and techniques of producing the tremendous variety of textiles have shown substantial change each decade, and the 1980's are bringing a further dramatic surge in textile technology.

Dominion Textile's record clearly illustrates that the Corporation has participated in all significant developments in manufacturing, with emphasis on effective research, evaluation and utilization of the most modern and versatile machinery available.

Between 1965 and 1980, over \$260 million was spent by the Corporation for the construction of new plants and the modernization and expansion of existing facilities. Several distinct stages in the evolution of our vastly improved technological base can be readily identified:

- During the 1960's four new major plants were built and equipped with state of the art machinery. These are the Richelieu, Beauharnois, Long Sault Yarn and Long Sault Fabrics plants.

- The Corporation continued to broaden its scope of operations in Canada through a series of acquisitions including Caldwell, Esmond, Fireside, Penmans and Fiberworld.

- It took a major step to increase participation in international markets through the acquisition in 1975 of DHJ Industries Inc., a United States based textile company with branches and affiliates operating in many regions of the world.

- These moves enabled the Corporation to launch a highly successful product rationalization program in some of its Canadian plants through the entry by the Apparel Fabrics Division into denim and corduroy production.

- The 1970's marked a period of continued machinery and equipment upgrading within existing facilities. It was also a period of active research and development with textile machinery manufacturers worldwide. During this interval, the Corporation was intensively occupied with trials and evaluations of a wide selection of machinery types covering literally all facets of manufacturing from bale opening and cleaning, through carding, spinning, weaving and finishing of textile yarns and fabrics.

Evaluation has established, for example, that open-end spinning technology is capable of producing yarn at from three to nine times the rate of conventional ring spinning while reducing floor space requirements by some 30% and labour complement by 40%, at the same time improving the work environment. Shuttleless weaving machines produce cloth at double the speed of the conventional shuttle loom with fewer moving parts and far less downtime and machinery maintenance costs.



Between 1965 and 1980 output per man-hour increased 68% and the advances described have resulted in a 35% reduction in that portion of our sales dollar expended for salaries, wages and employee benefits.

■ From all of the above, the direction to be taken in the 80's and beyond is clear if this Corporation is to remain in the forefront of its industry. We must continue to gear for the future with proven advances in technology. We must also continue to improve the working environment and maintain energy conservation as an important objective. Much of the machinery to be acquired is more energy efficient than that now in use and, to this advantage, may be added the fact that over the last five years, energy consumption per kilogram of output at Dominion Textile has declined by almost 30%.

We are well aware of skyrocketing construction costs and our resources, therefore, will be directed toward the installation of new manufacturing technologies in existing, adaptable buildings. By this practice, we will benefit through the elimination of expenditure for new bricks and mortar. The latest machinery will increase efficiency and production capabilities and will free plant space for future capacity growth. It will, at the same time, greatly improve the working environment and generate increased energy savings.

■ As was the case in the 1960's certain production facilities cannot be upgraded to viable competitive levels because of layout or other physical limitations. Furthermore, because of the magnitude of necessary investments in machinery and plant improvements, we must continue to explore with our employees, in a constructive manner, viable means of achieving optimum usage of this highly sophisticated machinery. This thrust is aimed at providing an improved environment which will attract and retain skilled employees.

■ Our success is interdependent with that of our customers. Our mutual well-being is best achieved through long-lasting business relationships based upon Dominion Textile continuing to develop techniques that will provide the ultimate in quality and service.

■ Technological evolution has been a way of life throughout the history of Dominion Textile. We believe that the current investment program will bring substantial future benefits to the Corporation, its employees, customers and shareholders and will provide the necessary base from which future developments in textile manufacturing can be fully utilized.





"Technological evolution has been a way of life throughout the history of Dominion Textile Inc."



## The Year in Review

■ Total employment at June 30, 1981 stood at 13 700. Of this total, 10 550 were located in Canada, with 8 500 in Québec, 1 650 in Ontario and 400 in other provinces. Employment in the United States totalled 2 700 with the remaining 450 employees located in Europe and elsewhere.

■ The Corporation's 39 manufacturing plants are located as follows: 25 in Canada, including 17 in Québec, 7 in Ontario and 1 in Nova Scotia; 14 outside Canada, with 6 in the United States, 6 in Europe, 1 in Hong Kong and 1 in South America.

■ Exports from Canada were \$39.2 million in fiscal 1981, compared with \$39.6 million last year. Including sales made by units in the United States, Europe and elsewhere, 36% of consolidated sales were made outside Canada.  
■ Reports follow on each major business segment of the Corporation.

### Sales by the major product groups have been as follows in the last two years:

	1981	1980
	(in millions of dollars)	
<b>CANADIAN OPERATIONS</b>		
<b>Apparel Fabrics Division</b>		
■ Woven fabrics of cotton and blends for ladies' sportswear and blouses, shirts, nightwear, outerwear, career apparel and rainwear; jeans fabrics including indigo-dyed denim, heavyweight twills and drills and corduroy; fabrics for home sewing and furnishings. Major brand names are <i>TEXMADE</i> and <i>FIRESIDE FABRICS</i> .	\$262.9	\$232.3
<b>Consumer Products Division</b>		
■ Sheets, pillow slips, bedspreads, flannelette sheets, comforters, blankets, quilts, nonwoven blankets, towels, table fashions; knitted goods including sportswear, T-shirts and underwear. Major brand names are <i>TEXMADE</i> , <i>CALDWELL</i> , <i>ESMOND</i> and <i>PENMANS</i> .	146.5	125.8
<b>Sales Yarn Division</b>		
■ Spun yarns made from cotton, man-made and blend fibres for sale to knitters, weavers and many other industries.	116.2	103.6
<b>Industrial Products Division</b>		
■ Fabrics for manufacturers to process or incorporate into a broad variety of products including sports and camping products, filters and protective covers, tires and conveyor belts, sandpapers and buff wheels, footwear and work gloves, carpets and upholstery, and many other items of general and special uses. Major brand names are <i>TEXMADE</i> , <i>JARO</i> , <i>PENROAD</i> and <i>FIBERWORLD</i> .	70.8	66.7
<b>Total Canadian Operations</b>	<b>596.4</b>	<b>528.4</b>
<b>UNITED STATES OPERATIONS</b>		
■ Cotton and blend denim fabrics for jeans and other garments, polyester/cotton blend yarns and plastic products. Major brand name is <i>SWIFT</i> . (Includes sales of Swift Textiles, Linn-Corriher and U.S. Plastics Division.)	181.4	140.5
<b>INTERNATIONAL DIVISION</b>		
■ Woven and nonwoven interlinings for shirt and other garment manufacturers. Major brand name is <i>DHJ</i> .	87.0	88.0
	<b>\$864.8</b>	<b>\$756.9</b>

### Sales by major product groups

(in millions of dollars)

	1977	1978	1979	1980	1981
Apparel Fabrics Division	\$134.1	\$157.7	\$218.1	\$232.3	\$262.9
Consumer Products Division	\$76.1	\$90.9	\$88.9	\$125.8	\$146.5
Sales Yarn Division	\$73.8	\$90.9	\$113.3	\$125.8	\$146.5
Industrial Products Division	\$49.9	\$81.8	\$113.3	\$125.8	\$146.5
U.S. Operations	\$116.0	\$123.4	\$112.4	\$140.5	\$181.4
International Division	\$49.9	\$49.4	\$71.6	\$88.0	\$87.0
Affiliated companies	\$82.8	\$70.8	\$75.2	\$116.1	\$120.9
	1977	1978	1979	1980	1981



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**Results — 1981**

- Sales at \$263 million were 13% higher than last year.
- A continuing change in product mix contributed to increased earnings.
- While the first quarter was poor, activity picked up in late October and remained strong throughout the year.
- The inventory position is excellent; stocks are fresh and balanced to meet market demands and unit stocks are at the lowest level in eight years.
- The corduroy and print markets continued their downward trend. The weakness in export markets resulting from the rising value of the U.S. dollar and economic problems in Europe contributed to a further reduction in the sale of corduroy and prints.
- All other product areas showed improvement. In the fourth quarter denim shipments were off slightly.

- Most of the weaving plants operated on an overtime basis. The Beauharnois Finishing plant for the last nine months ran at near record levels while Magog Finishing, which includes prints and corduroy, operated at a reduced rate in 1981. The Drummondville (denim) and Magog Finishing facilities were closed for an extra week in conjunction with the holiday period.

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**Capital Expenditures — 1981**

- At Magog, most of the work on open-width bleaching was completed and construction of a new \$3.9 million dye range began. These investments will improve quality, efficiency and service.
- The capacity of the denim dye range was expanded at a cost of \$300 000 which will broaden the variety in this product line.

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**Capital Expenditures — 1982**

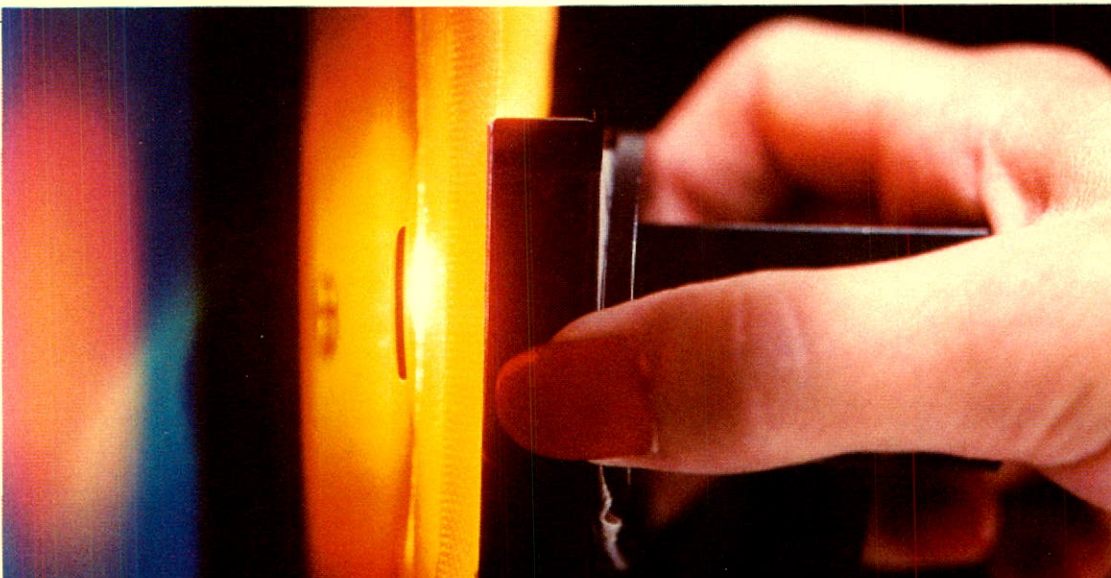
- Modernization of the Magog Fabric plant, which will improve both productivity and environmental conditions, will involve expenditures in excess of \$6 million over the next few years.
- The Division's first shuttleless weaving equipment arrived in June and more will follow in fiscal 1982. This initial investment has a value of \$3.5 million.

- Expenditures of \$1.7 million on specialty finishing equipment will enable us to offer a superior product and obtain a greater share of market for fashion corduroy.

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**Outlook — 1982**

- Fiscal 1982 began with an order book 18% higher than a year ago. Most product lines are selling extremely well. Many "pipelines" are empty and with a weak Canadian dollar and high interest rates more garment manufacturers are placing orders in Canada. We, therefore, expect a good increase in unit shipments.
- Denim, after a short inventory adjustment period, should rebound helped by new products including stretch denim.
- We shall also offer a considerable number of new styles including shirting fabrics and stretch constructions for both the jeans industry and casual sportswear market.



*Computers are used to match colours and produce the formulae for dyeing fabrics to customer specifications.*



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**Results — 1981**

- Sales were up 16% to a record \$147 million and profits were at a new record level.
- A review of our product groups under their four nationally-known brand names follows.

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**Texmade**

- Shipments of TEXMADE sheets and pillow slips set new records and shipments of flannelette sheets were up substantially, particularly in the fashion area.
- The new line of "Warmsheet" fashion flannelettes, with improved heat retention, will be on retail shelves in the fall of 1981 and new sheeting products are being developed for the export market where shipments this past year were disappointing.

- Installation of a wide finishing range for sheeting at Magog was completed at a cost of \$2.8 million. Also, at Magog, a computerized warehouse costing \$1.8 million will be completed in late 1981. At the Montmorency plant capital expenditures reached over \$2 million. These investments will improve efficiency, productivity and product quality.

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**Caldwell**

- Shipments of CALDWELL high quality towels, sheets and pillow slips increased in 1981.
- Fiscal 1982 will see the final delivery of 42 Saurer shuttleless towel weaving machines, one of the largest such installations in the world. After completion of this \$4.6 million project, the quality of our towel production will be greatly enhanced.
- A new luxury sheet range, "Ultraluxe", introduced in late June after extensive research and development, will help to maintain our leadership position in this market.

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**Esmond**

- Sales of ESMOND quality blankets and bedspreads equalled the level of 1980. While shipments of large blankets were down, crib blankets were in strong demand with sales 42% ahead of the previous year.

- The Esmond Division also markets a wide range of novelty printed sheets and pillow slips and we anticipate continued success in this market.

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**Penmans**

- Shipments of PENMANS products rose 20% over 1980.
- However, competitive pressures, which limited price increases, and inventory reductions in certain discontinued product areas resulted in a substantial decline in margins.
- Fiscal 1982 began with a good inventory position. Marketing emphasis on basic fleece, T-shirts and sportswear combined with PENMANS styling and quality should produce a major sales increase this year.

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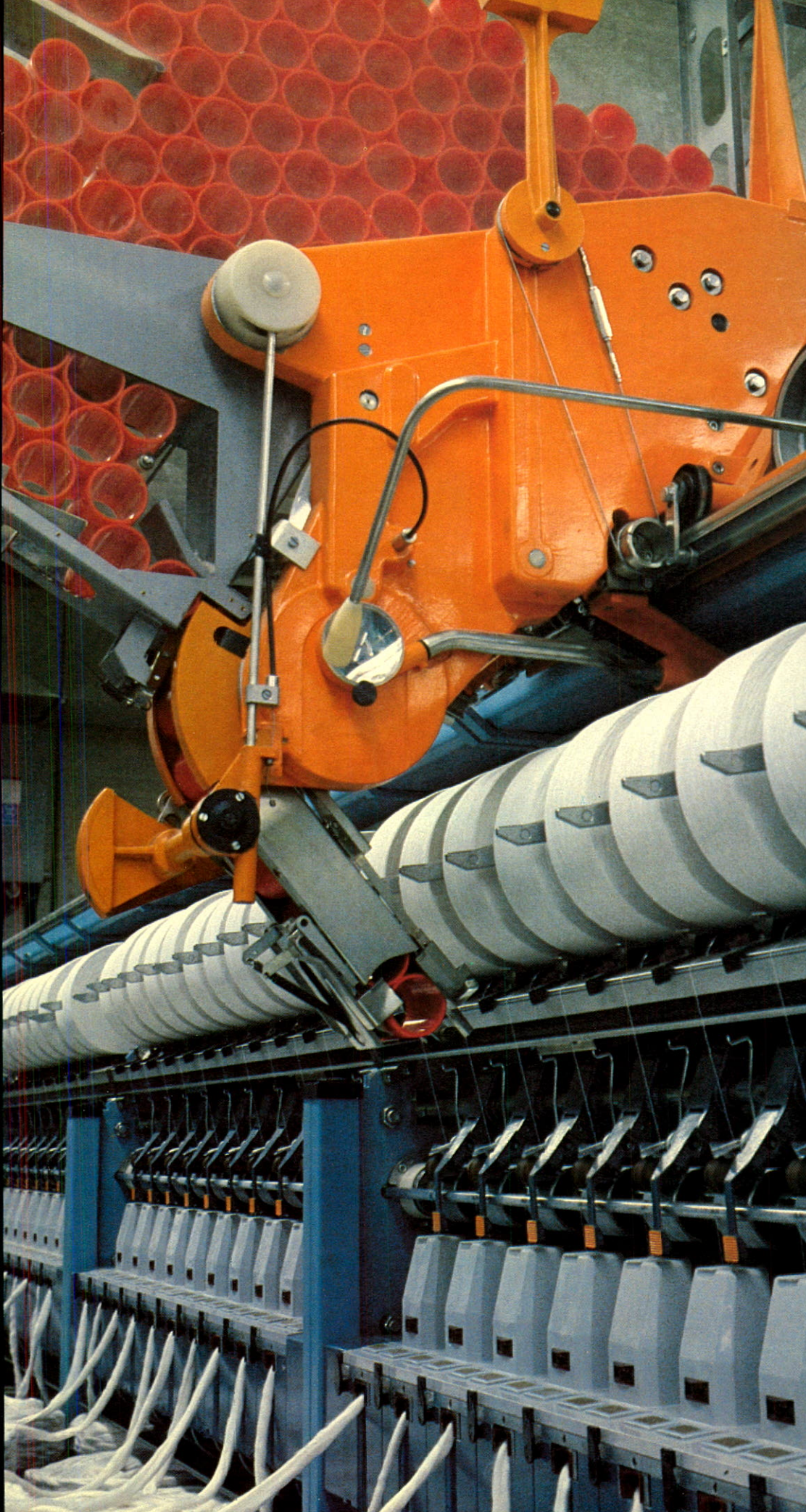
**Outlook — 1982**

- Another record level of sales is expected in 1982.
- Capital expenditures may reach \$14 million and will be directed toward production improvements, energy savings and environmental conditions.

*Open-end spinning replaces a number of manufacturing processes and produces better quality yarn at rates ranging from 3 to 9 times that of ring spinning.*



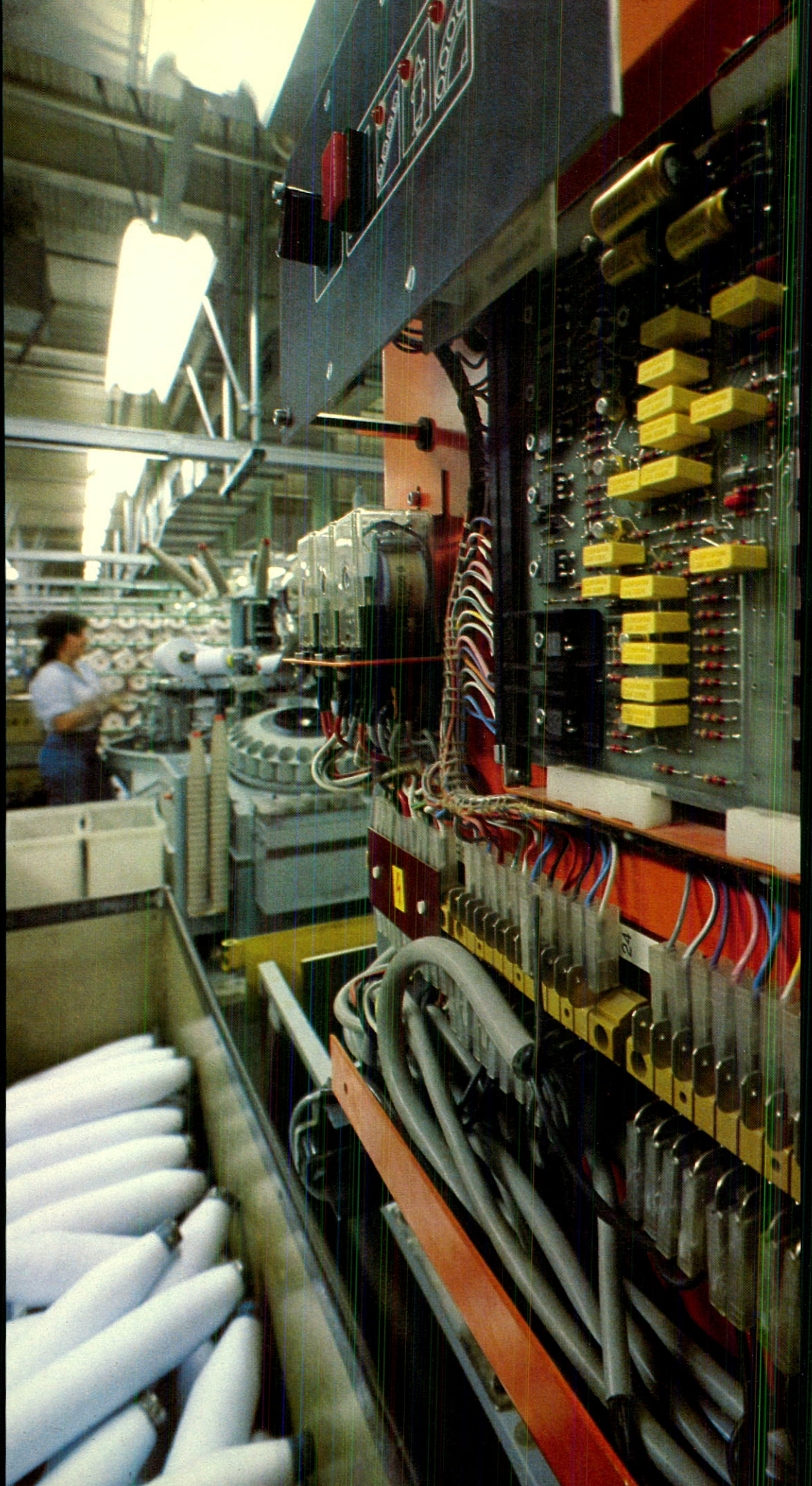




Sophisticated *automatic doffing* replaces full bobbins with limited manual effort.



Today, *electronics* play an important role in textile technology.





### Results — 1981

- Sales of the Division reached \$116 million in fiscal 1981.
- The 12% increase over the previous year was made possible by the expansion of both open-end and ring spinning at Domil Yarn and the maximum utilization of other spinning facilities.
- The new record volume was obtained despite a substantial increase in imports.
- The excess capacity of U.S. spinners was directed to the Canadian markets at low prices, thereby affecting our selling prices and margins.
- Low activity at Hubbard Dyers, resulting mainly from a slowdown in the demand for velour fabrics, also adversely affected our results in fiscal 1981.

### Capital Expenditures — 1981

- Investment in open-end spinning at the Domil Yarn plant continued in 1981, and now totals close to \$7.5 million. With 2 400 open-end spinning rotors now in operation, it is the largest installation of its kind in Canada. Production capacity at Domil Yarn has been increased by approximately 35% as a result of recent expenditures on open-end and ring spinning equipment.
- Expenditures also continued to upgrade the Salaberry plant. Close to \$6 million has now been invested to modernize the card room and winding process and to install the most modern air filtration system. An additional \$750 000 was invested for modern employee and staff facilities.
- Approximately \$2 million was spent to add a new product, texturized polyester filament yarn, to the current production of dyed yarns at the Mount Royal Dyehouse.
- At the same time, production of worsted spun yarn at the Tremont facility, also located in the Mount Royal complex, was discontinued. All of the employees at the Tremont facility were transferred to new positions at the Mount Royal Dyehouse.

### Capital Expenditures — 1982

- Capital expenditures in 1982 will see a continuation of the modernization program and additional expansion of spinning capacity in order to satisfy more of the Canadian market from domestic production.
- Continuing programs at the Salaberry plant have already been announced which will result in a 25% increase in capacity when the projects are completed in fiscal 1983.

### Outlook — 1982

- The yarn markets in the U.S. remain soft and we are apprehensive that surplus supply from the U.S. will disrupt prices and squeeze margins through to the end of calendar 1981.
- Our order position is satisfactory, however, and most of our customers in Canada are busy.
- We look forward, therefore, to a gradually strengthening market, and improved results for the Sales Yarn Division in fiscal 1982.



Modern *winding* facilities automatically and efficiently transfer yarn to large packages for the next process.



**Results — 1981**

- Sales were \$71 million or 6% higher than the previous year.
- Weakness in the manufacturing sector of the economy did not allow prices to keep pace with cost increases.
- Margins were under pressure and the earnings of the Division showed a moderate decline.
- Changes to the product mix and increased exports allowed the plants to operate at close to capacity, without building inventories.

**Capital Expenditures — 1981**

- Installation of a new needlepunch line at the Hawkesbury plant was completed, providing additional capacity for carpet-backing fabrics and geotextiles. The Hawkesbury plant operated throughout the year on a full schedule of seven days per week.

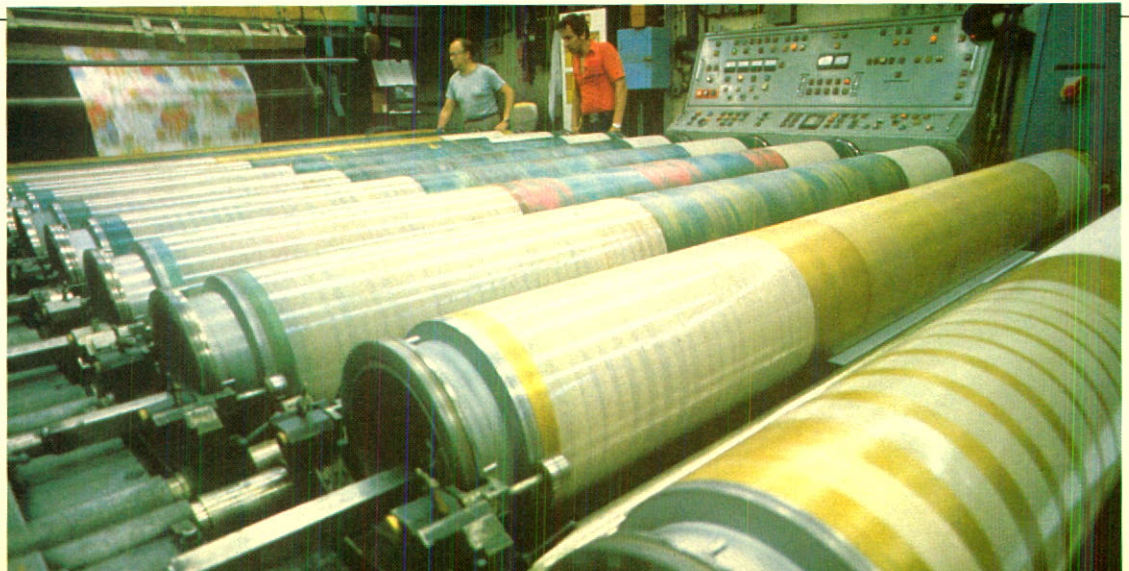
**Capital Expenditures — 1982**

- Attention will be given to the latest technology in needlepunch nonwoven fabrics and shuttleless weaving machines.
- Capital expenditures of approximately \$3 million are anticipated.

**Outlook — 1982**

- Weakness in the automobile, rubber and steel industries has a direct effect on the Division and a spill-over effect on the other manufacturing sectors we serve. We, therefore, do not expect our markets to strengthen significantly in the next twelve months.
- However, we began the year with a satisfactory order book and expect to be able to maintain a reasonable level of activity in our plants.
- Inventories have been maintained at a desirable level and will be strictly controlled throughout the year.
- PENROAD geotextiles (products we have developed for the Canadian civil engineering market) are receiving excellent acceptance. With increased capacity coming on stream, we are well placed to capitalize on this growth market in fiscal 1982.
- On balance, we expect a moderately better sales level for the Division and improved earnings over those of the prior year.

*Rotary screen printing offers both versatility and flexibility when dealing with multiple fabric widths and variable colours and designs.*








*High speed drawing frames produce a more even and superior product at double the conventional rate.*





*Chute feeding* conveys raw materials by air suction to the carding process eliminating handling operations and at the same time improving the working environment.



### **Moco Inc. — DHJ Industries Inc.**

■ The Corporation's operations in the United States, Swift Textiles, Inc., Linn-Corriher Corporation and Howard Cotton Company are owned directly or indirectly through a U.S. based subsidiary, Moco Inc.

■ Moco Inc. also holds the Corporation's 100% interest in DHJ Industries Inc., whose international interlining operations are carried out by the International Division.

### **Swift Textiles, Inc.**

■ Fiscal 1981 results were excellent in a year in which the U.S. denim markets were unsettled and weak.

■ By limiting disruption from the major expansion of production facilities higher than planned dollar volume and margins were achieved.

■ High interest rates, greater product availability and inventory pressures have shifted ordering and distribution patterns for denim.

■ These factors along with weak market conditions for denim in Europe have caused a temporary supply/demand imbalance which emphasizes the importance of Swift's broad domestic distribution.

■ The major expansion of capacity, involving the construction of a new facility in Columbus, Ga., to accommodate a shuttleless weaving

operation and a distribution centre, was substantially completed in fiscal 1981.

■ The expansion along with other expenditures brought capital spending in fiscal 1981 to about \$30 million.

■ Capital expenditures for fiscal 1982 will be a more modest \$13 million to complete the expansion project, to replace ring spinning with Rieter open-end spinning, to add finishing equipment and to improve environmental conditions.

■ The 1982 fiscal year is beginning with an uncertain supply/demand situation and soft pricing which is affecting and will continue to influence margins.

■ However, the influence of designer and "western" trends continue to be positive factors in the jeans market and the development of stretch denim and stone-washed denim will also stimulate demand.

■ With wider shuttleless weaving and open-end spinning installations Swift is prepared to meet the demanding quality standards of the jeans industry. We, therefore, expect to increase volume substantially and operate at or near the new capacity level.

### **Linn-Corriher Corporation**

■ The strong sales yarn market in the United States in 1980 weakened significantly early in calendar 1981.

■ With excess supplies available, prices in most markets served were soft. Margins were under pressure, particularly in the last half of fiscal 1981, and net income for the year was lower than we had expected.

■ The market remains weak affecting both volume and prices. No change is expected in the near future.

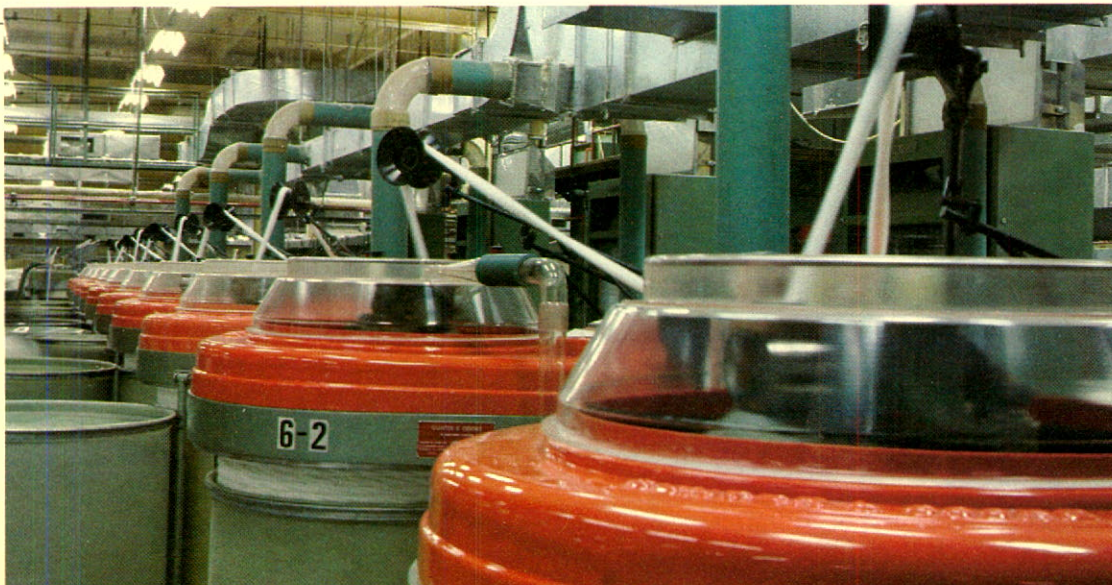
■ As economic conditions improve, however, we should see a general improvement in the market and we look forward to a recovery in sales and margins during the second half of fiscal 1982.

### **Howard Cotton Company**

■ As reported last year, cotton inventories were increased late in fiscal 1980 in anticipation of rising prices. Early in fiscal 1981, following a substantial decline in cotton production, cotton prices reached U.S. \$0.90 per pound.

■ With activity in the textile industry reduced late in fiscal 1981, cotton prices declined somewhat.

■ Cotton growing conditions have been near ideal and the outlook is for an excellent crop. Demand remains slack and cotton prices should remain lower for at least the first half of fiscal 1982.



*New planetary coilers, engineered for long periods of continuous operation, complement high speed carding.*



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**Results — 1981**

- Consolidated sales of the Division were \$87 million compared to \$88 million last year.
- Difficult business conditions in Europe, particularly in the United Kingdom and Italy, record interest rates and a general economic recession adversely affected our results.
- Inventories have been substantially reduced during the period and will continue to be closely monitored.
- Our Argentinian subsidiary experienced a difficult year as a result of political instability, continued rapid inflation and a 44% devaluation of the peso. However, the devaluation of the peso should act as a barrier to textile imports which were at a record level last year.
- Our affiliate in Brazil enjoyed good earnings in 1981, but conditions in that country deteriorated during the year. Our affiliates, in other areas, particularly South Africa, Mexico and Venezuela, enjoyed a successful year.

- Swift Textiles in Europe, which markets both denim produced in Tunisia and corduroy woven in France and dyed and finished in our Magog facility, achieved record sales and profits.
- Installation of open-end spinning equipment in our Tunisian denim supplier's plant was undertaken during the year. This investment together with the purchase by our supplier of wide Sulzer looms for the manufacture of denim will assure us of a continuing supply of high quality goods.

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**Developments — 1981**

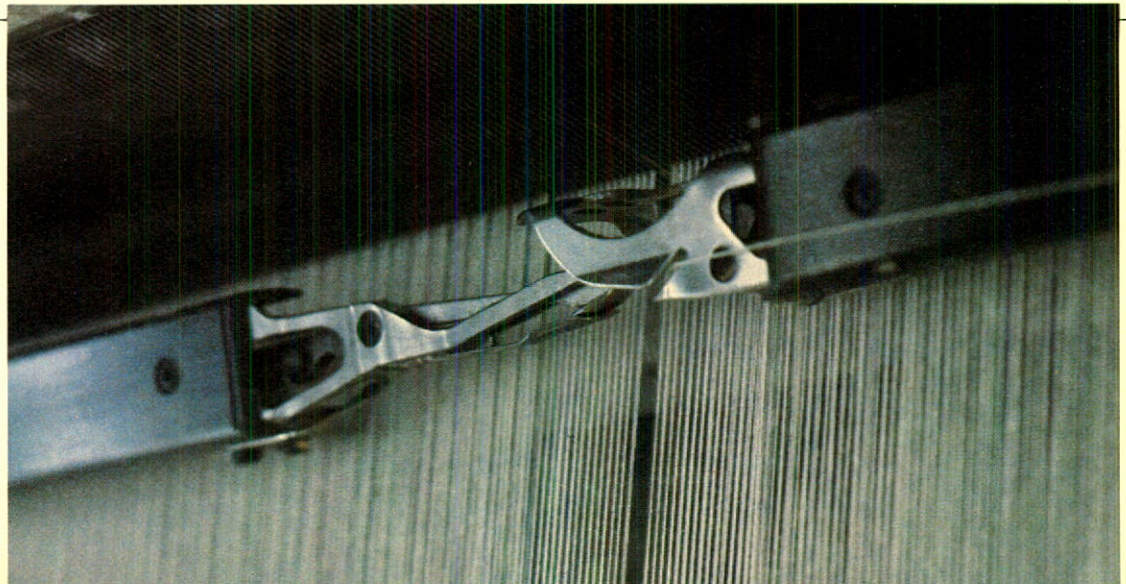
- Following a decision to concentrate on our expanding worldwide interlining network outside the United States, the Corporation's 50% interest in a U.S. affiliate, DHJ-Facemate Corporation, was sold.
- In Europe, we acquired the remaining 75% interest in La Société d'enduction à façon S.A. (SENA), a modern, efficient fusible interlining operation located in eastern France.
- In the Far East, an agreement was concluded with the People's Republic of China for the supply of finished interlining fabric for distribution by DHJ Hong Kong. Concurrently, we acquired the remaining 50% interest in that company.

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**Outlook — 1982**

- Economic conditions in Europe and in some countries in South America will continue to be difficult in 1982. However, we foresee some improvement in Italy, France and Argentina during the year.
- In Europe our technical and marketing resources will concentrate on developing new products for SENFA in order to utilize the available capacity in this modern coating facility.
- Our Hong Kong subsidiary should continue its growth as goods come on stream from the People's Republic of China.

*Rapier looms operate twice as fast as shuttle looms. Here in action the weft yarn is being transferred from one side of the weaving machine to the other.*







*Projectile weaving machines produce fabric at double the rate of conventional looms.*



**Sales**

Consolidated sales at \$865 million were at a record level for the sixth consecutive year and were 14.3% above sales of the previous year.

Sales by quarter were as follows:

	1981	1980
	(millions)	
First quarter	\$176.2	\$161.5
Second quarter	219.8	190.1
Third quarter	220.0	193.5
Fourth quarter	248.8	211.8
	<b>\$864.8</b>	\$756.9

In 1981, 36% of the Corporation's sales were made outside of Canada compared with 35% the previous year.

Sales of affiliated companies, which were \$116.1 million in 1980, increased to \$120.9 million in 1981.

**Net Income**

Consolidated net income was also at a record level reaching \$42.9 million or \$3.93 per Common share. In 1980, net income was \$34.9 million and earnings per share were \$3.66.

The increase in net income of 22.8% exceeded the percentage increase in earnings per share because there was a greater number of Common shares outstanding. The average number of

shares outstanding climbed from 8 864 000 in 1980 to 10 251 000 in 1981.

On a fully diluted basis, earnings per share were \$3.91 compared with \$3.55 in 1980.

Quarterly earnings per share have increased on a year-over-year basis for twenty-two consecutive quarters. Earnings per share, by quarter, for the last three years are shown below:

	1981	1980	1979
First quarter	\$0.49	\$0.43	\$0.31
Second quarter	1.09	0.96	0.67
Third quarter	1.09	1.03	0.92
Fourth quarter	1.26	1.24	1.12
	<b>\$3.93</b>	\$3.66	\$3.02

The return on average Common shareholders' equity improved slightly to 18.2% compared with 18.1% in 1980. This marked the sixth consecutive year in which this ratio improved over the prior year.

The consolidated tax rate declined to 39.4% from 41.8% in 1980. The main reason for this decline was related to the investment tax credits received by the Corporation in connection with the high level of capital spending in both Canada and the United States.

The Corporation has substantial working capital denominated in foreign currencies and exchange gains or losses may arise when the value of these

currencies fluctuates against the Canadian dollar. The year under review produced a translation loss of \$784 000 principally resulting from the decline of various European currencies against the Canadian dollar.

As in previous years, the 20% interest in Swift Textiles held outside Dominion Textile accounted for most of the \$2 507 000 of earnings attributable to minority interests.

**Segmented Information**

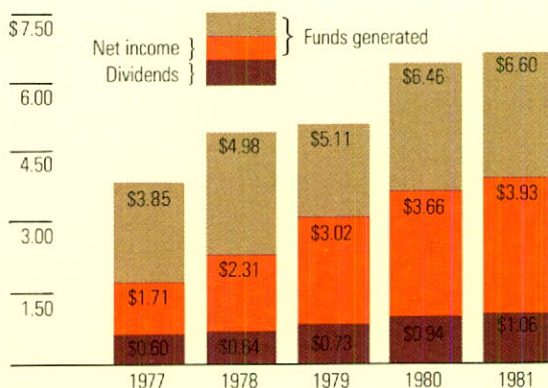
Note 10 to the Financial Statements provides information on the Corporation's activities in fiscal 1980 and 1981 in various geographic regions. Income from operations in 1981, as stated in the note, was as follows: Canada, \$65.3 million; United States, \$28.4 million; Europe and other areas, \$6.8 million. These levels of operating income are before interest expense and income taxes.

**Working Capital**

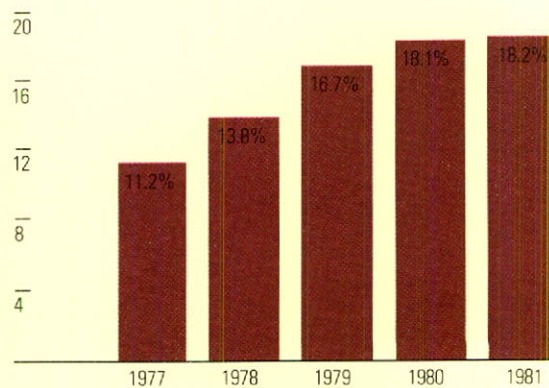
At June 30, 1981 working capital totalled \$251.8 million, compared to \$190.6 million a year earlier. The year-end ratio of current assets to current liabilities strengthened and stood at 2.4:1 compared with 2.1:1.

Inventories, which were \$243.9 million at June 30, increased by 14.2%, slightly under the 14.3% increase in sales.

**Net income, funds generated and dividends per Common share**



**Return on Common shareholders' equity**





Receivables, which increased during the year by \$22.2 million, stood at \$151.5 million at year end. The number of days' sales in the receivables at June 30, 1981 was unchanged from the previous year.

Short term borrowings declined by \$4.7 million and totalled \$61.7 million at the end of the fiscal year.

### Long Term Debt

Long term debt totalled \$159.8 million at year end, a net increase of \$40.8 million.

Debt retirement in fiscal 1981 totalled \$14.5 million while \$1 350 000 of Convertible debentures were exchanged for Common shares.

During the year the Corporation purchased \$460 000 of its Series A debentures and \$111 000 of its Series B debentures. At June 30, 1981, \$1 828 000 of the Series A and \$884 000 of the Series B debentures were held in anticipation of future sinking fund requirements.

### Shareholders' Equity

There were 10 751 484 Common shares outstanding at year end and an average of 10 250 998 outstanding during the year. During fiscal 1981, 1 500 000 shares were issued in a public financing, 121 500 in exchange for Convertible

debentures, 114 706 under the Dividend Reinvestment and Share Purchase Plan and 24 761 under the Employee Share Purchase Plan.

At June 30, 1981 the book value per Common share stood at \$23.14 compared to \$21.50 one year earlier.

### Financing Activity

The \$40.8 million net increase in long term debt during the year resulted from two major financings. The first was a private placement of Sinking Fund debentures which raised \$30 million. These debentures, designated Series E, carry a fixed interest rate of 14% and mature in fiscal 1996. The second financing was a private placement of term debt in the United States, which was designed to partially finance the expansion at Swift Textiles. This issue, which raised U.S. \$18 million, carries a fixed rate of 13.7% and also matures in fiscal 1996.

In September 1980, the Corporation completed a very successful public issue of Common shares. It involved the sale of 1.5 million shares at \$15.25 per share and raised over \$22 million in new equity capital.

### Employee Share Purchase Plan

During fiscal 1981, employees of Dominion Textile purchased 24 761 shares for a consideration of

\$375 000. The average price for a share sold under the plan was \$15.14. The maximum discount from market price at which employees may buy shares is 10%.

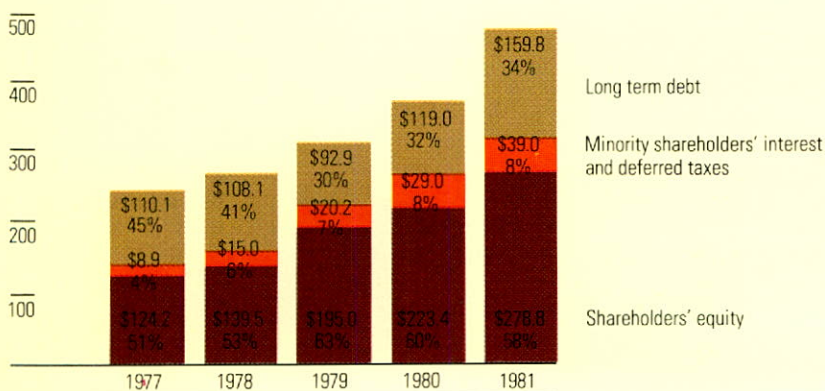
### Dividend Reinvestment and Share Purchase Plan

Under the terms of this plan, which became operational in December 1980, shareholders other than residents of the United States, may acquire additional Common shares of the Corporation at a 5% discount from the market price through the reinvestment of quarterly cash dividends. Shareholders may also acquire shares, at no discount, through cash payments of up to \$1 500 per quarter.

For the seven months during fiscal 1981 in which the plan was operational, 114 706 Common shares were issued for a total consideration of \$2 174 000. The average price of the shares sold under the plan was \$18.95.

## Capital structure

(in millions of dollars)





### Share Price and Dividends

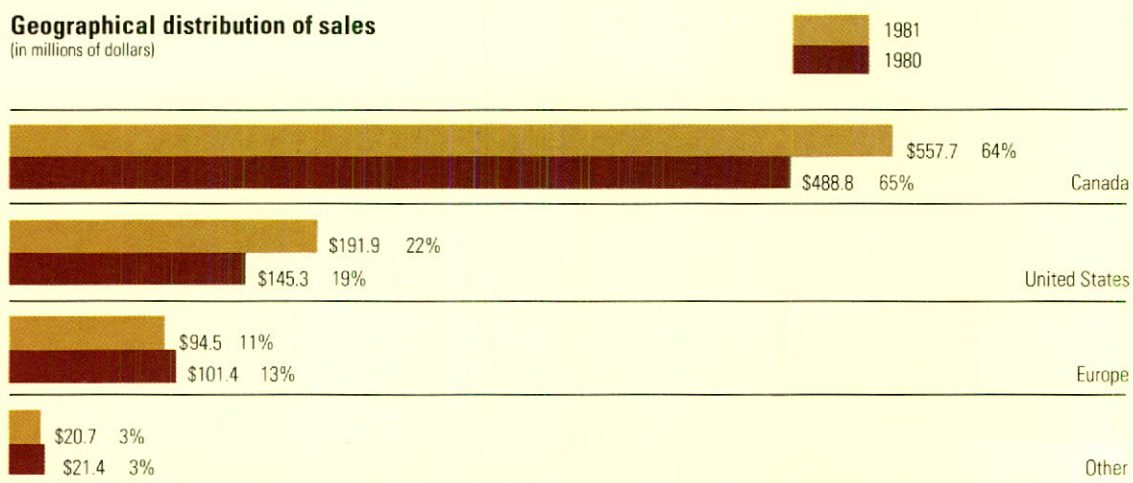
The market value and the trading volume of the Corporation's Common shares on the Montréal and Toronto stock exchanges for the two-year period ended June 30, 1981 are shown below. Also shown are the quarterly dividends paid.

Year ended June 30, 1981				
	High	Low	Shares traded	Dividends
July-September	\$16.00	\$13.50	784 200	\$0.25
October-December	18.38	15.00	645 700	0.25
January-March	21.75	16.38	856 100	0.28
April-June	22.25	18.75	690 800	0.28
			2 976 800	\$1.06
Year ended June 30, 1980				
	High	Low	Shares traded	Dividends
July-September	\$14.50	\$13.00	639 300	\$0.22
October-December	14.50	12.00	432 000	0.22
January-March	16.50	13.00	787 700	0.25
April-June	14.75	12.00	671 600	0.25
			2 530 600	\$0.94

The dividend rate per Common share was increased for the fourth consecutive year effective with the dividend declared in February 1981 and payable April 15, 1981. The annual dividend for fiscal 1981 was \$1.06 compared with \$0.94 in 1980 and the indicated annual rate is now \$1.12. The Corporation has paid a dividend on its Common shares for 74 consecutive years.

### Geographical distribution of sales

(in millions of dollars)





**Consolidated Statement of Income**

Dominion Textile Inc. and Subsidiary Companies

for the year ended June 30

	1981	1980
	(in thousands of dollars)	
Sales	<b>\$864 833</b>	\$756 944
Operating costs	<b>764 344</b>	670 709
Income from operations	<b>100 489</b>	86 235
Interest expense	<b>26 997</b>	21 750
Income from operations after interest — Note 1	<b>73 492</b>	64 485
Share in net income of associated companies	<b>2 269</b>	1 732
Other (expenses) and income — Note 2	<b>(1 001)</b>	33
Income before income taxes	<b>74 760</b>	66 250
Income taxes	<b>28 543</b>	26 938
	<b>46 217</b>	39 312
Loss on translation of foreign currencies	<b>(784)</b>	(1 715)
Minority interest	<b>(2 507)</b>	(2 651)
Net income for the year	<b>42 926</b>	34 946
Preferred dividends	<b>2 638</b>	2 532
Net income applicable to Common shares	<b>\$ 40 288</b>	\$ 32 414
Per Common share, after preferred dividends	<b>\$ 3.93</b>	\$ 3.66
Per Common share, fully diluted	<b>\$ 3.91</b>	\$ 3.55

**Consolidated Statement of Retained Earnings**

for the year ended June 30

	1981	1980
	(in thousands of dollars)	
Retained earnings at beginning of year	<b>\$127 263</b>	\$103 187
Net income for the year	<b>42 926</b>	34 946
	<b>170 189</b>	138 133
Deduct:		
Dividends —		
Cumulative First Preferred	<b>6</b>	16
Second Preferred — Series A	<b>1 198</b>	1 202
Second Preferred — Series B	<b>1 434</b>	1 314
Common		
\$1.06 per share in 1981, \$0.94 in 1980	<b>10 905</b>	8 338
	<b>13 543</b>	10 870
Retained earnings at end of year	<b>\$156 646</b>	\$127 263



**Consolidated Statement of Financial Position**

Dominion Textile Inc. and Subsidiary Companies

as at June 30

	1981	1980
	(in thousands of dollars)	
<b>Current assets</b>		
Cash and term deposits	\$ 27 605	\$ 14 369
Accounts receivable	151 540	129 333
Inventories — Note 3	243 859	213 544
Prepaid expenses	6 734	3 625
	<b>429 738</b>	<b>360 871</b>
<b>Current liabilities</b>		
Short term borrowings — Note 4	61 727	66 412
Accounts payable and accrued liabilities	85 289	75 056
Dividends payable	3 724	2 893
Income and other taxes	12 871	13 322
Long term debt due within one year	14 329	12 590
	<b>177 940</b>	<b>170 273</b>
<b>Working capital</b>	<b>251 798</b>	<b>190 598</b>
<b>Investments and advances</b> — Note 5	<b>13 399</b>	<b>18 482</b>
<b>Land, buildings and equipment</b> — Note 6	<b>209 328</b>	<b>159 172</b>
<b>Other assets</b>	<b>3 161</b>	<b>3 221</b>
	<b>\$477 686</b>	<b>\$371 473</b>
<b>Financed by:</b>		
<b>Long term debt</b> — Note 7	<b>\$159 845</b>	<b>\$119 044</b>
<b>Deferred income taxes</b>	<b>29 761</b>	<b>20 956</b>
<b>Minority interest in subsidiaries</b>	<b>9 261</b>	<b>8 025</b>
<b>Shareholders' equity</b>		
<b>Capital stock</b> — Notes 9 and 12	<b>122 173</b>	<b>96 185</b>
<b>Retained earnings</b>	<b>156 646</b>	<b>127 263</b>
	<b>278 819</b>	<b>223 448</b>
	<b>\$477 686</b>	<b>\$371 473</b>
<b>Capital employed</b>	<b>\$477 686</b>	<b>\$371 473</b>

On behalf of the Board:



Director



Director



**Consolidated Statement of Changes in Financial Position**

Dominion Textile Inc. and Subsidiary Companies

for the year ended June 30

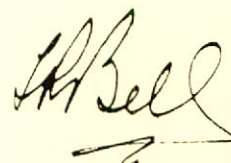
	1981	1980
	(in thousands of dollars)	
<b>Source of funds</b>		
Net income for the year	<b>\$ 42 926</b>	\$ 34 946
Depreciation	<b>15 610</b>	14 321
Deferred income taxes	<b>8 805</b>	7 229
Share in net income of associated companies in excess of dividends received	<b>(1 877)</b>	(887)
Minority interest	<b>2 507</b>	2 651
Other non-cash items	<b>2 314</b>	1 559
<hr/>		
Funds generated from operations	<b>70 285</b>	59 819
Working capital of acquired subsidiaries	<b>1 976</b>	5 700
Proceeds from:		
Disposal of investment in an associated company	<b>2 604</b>	—
Sale of fixed assets	<b>1 698</b>	2 075
New financing:		
14% Sinking Fund debentures	<b>30 000</b>	—
Other long term debt	<b>26 312</b>	54 180
Common shares	<b>26 021</b>	4 598
Realization of tax benefit	—	2 701
Other items — net	<b>520</b>	373
<hr/>		
	<b>159 416</b>	129 446
<hr/>		
<b>Use of funds</b>		
Investment in acquired subsidiaries	<b>3 685</b>	25 424
Investment in an associated company	—	5 825
Additions to fixed assets	<b>63 852</b>	33 449
Debentures converted to Common shares	<b>1 350</b>	4 178
Repayment of long term debt	<b>14 515</b>	28 889
Dividends	<b>13 543</b>	10 870
Minority interest share of subsidiaries' dividends	<b>1 271</b>	1 014
<hr/>		
	<b>98 216</b>	109 649
<hr/>		
<b>Increase in working capital</b>	<b>\$ 61 200</b>	\$ 19 797



The management of the Corporation is responsible for the financial information contained in this annual report. The consolidated financial statements contained herein have been prepared by the management in accordance with generally accepted accounting principles in Canada and conform in all material respects with international accounting standards. These statements necessarily include some amounts that are based on the best estimates and judgement of management and in their opinion present fairly the Corporation's financial position and results of its operations. The consolidated financial statements have been examined by Touche Ross & Co., Chartered Accountants, and their report is included herein.

The reliability of the financial information is determined from the Corporation's accounting records and related systems of internal controls. The systems of internal controls include formal policies and procedures which are designed to provide reasonable assurance that assets are safeguarded and that reliable financial records are maintained. The Corporation has an Internal Audit Department whose function includes the review of the accounting records and related systems of internal controls to ensure that they are adequate and functioning as intended.

The Audit Committee, comprised of three Directors, meets on a regular basis with the external and internal auditors to discuss their findings and opinions on the adequacy of the controls and quality of the financial reporting. In addition the Audit Committee reports its findings to the Board of Directors which reviews and approves the consolidated financial statements.



T.R. Bell, President and Chief Executive Officer




I.C. Ferrier, Senior Vice-President, Finance

## Auditors' Report

The Shareholders,  
Dominion Textile Inc.

We have examined the consolidated statement of financial position of Dominion Textile Inc. as at June 30, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at June 30, 1981 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants

Montréal, Québec  
August 4, 1981



June 30, 1981

The Corporation's financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with international accounting standards. The most significant policies are as follows:

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of Dominion Textile Inc. and all its subsidiary companies, with provision for the interest of minority shareholders. All material inter-company items are eliminated.

The acquisitions of all subsidiary companies are accounted for on a purchase basis. The assets and liabilities (adjusted to appropriate carrying values) of the companies acquired have been consolidated with those of the Corporation. The adjustment to carrying values is amortized over the economic life of the applicable assets.

**FOREIGN EXCHANGE**

Current assets and liabilities in foreign currencies are converted at the exchange rates prevailing at the dates of the statement of financial position. Fixed assets and long term liabilities are converted at rates prevailing at the dates of acquisition. Income and expenses in foreign currencies are converted at the actual exchange rates prevailing at the dates of transactions or at average exchange rates for the year.

**INVENTORY VALUATION**

Materials and supplies in inventories are valued at the lower of average cost and net realizable value. The cost of work in process and finished goods inventories includes raw materials, direct labour and certain manufacturing overhead expenses. Adequate provision is made for slow-moving and obsolete inventories.

**MARKETABLE SECURITIES**

Marketable securities are valued at average cost and when they are sold, the resulting gain or loss is included in "Other income."

**INVESTMENT IN ASSOCIATED COMPANIES**

The investment in companies which are not majority owned is carried at the Corporation's equity therein. The Corporation's share of the net income or loss of such companies is recorded in the period in which it is incurred.

**FIXED ASSETS AND DEPRECIATION**

Fixed assets are stated at historical cost. Depreciation is provided on a straight-line basis at varying rates which amortize the cost of the assets over their economic life. For the most part buildings are amortized over 25 years and machinery and equipment over 10 to 15 years.

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in "Other income."

**INCOME TAXES**

The Corporation provides for income taxes based on income reported in the financial statements. The amount of income taxes actually payable for the year may differ from the total income tax provisions as a result of timing differences between the recognition of expense (principally depreciation) for accounting and for income tax purposes. The tax effect of these differences is reflected in the accounts as deferred income taxes.

**PENSION PLANS**

The Corporation and its subsidiaries have a number of pension plans, both of a contributory and non-contributory nature. All pension plans are trustee and are being funded. The unfunded past service pension liability is estimated to be \$7 240 000 as at June 30, 1981 (\$6 476 000 at June 30, 1980) and is being amortized over a period not longer than determined by actuarial estimates and government regulations.

Pension payments made to retired employees who are not covered by these plans are charged to operations when paid.

**NET INCOME PER COMMON SHARE**

Net income per Common share is calculated using the weighted average number of Common shares outstanding during the fiscal year, after deducting dividends on Preferred shares. The average number of Common shares outstanding for 1981 and 1980 was 10 250 998 and 8 864 454 respectively.

Net income per Common share on a fully diluted basis is calculated assuming that all of the Corporation's 5¾% Convertible debentures had been converted at the beginning of the fiscal year and the net income had been adjusted by the appropriate after-tax interest expense.



## Notes to Consolidated Financial Statements

June 30, 1981

	1981	1980
<b>Note 1 — Income from operations after interest</b>		(in thousands of dollars)
Income from operations after interest includes provision for the following:		
Depreciation	<b>\$ 15 610</b>	\$ 14 321
Remuneration of directors and officers	<b>2 096</b>	2 014
Interest on long term debt	<b>18 356</b>	10 104
Interest on other borrowings	<b>8 641</b>	11 646
<b>Note 2 — Other (expenses) and income</b>		
Income from marketable securities and other investments	<b>\$ 258</b>	\$ 265
Gain on sale of marketable securities	<b>2 091</b>	708
Loss on disposition of other assets, net	<b>(4 438)</b>	(2 148)
Royalties, commissions and other items, net	<b>1 088</b>	1 208
	<b>\$ (1 001)</b>	\$ 33
<b>Note 3 — Inventories</b>		
The major inventory classifications are as follows:		
Raw materials	<b>\$ 80 941</b>	\$ 70 230
Work-in-process, including grey fabric for further processing	<b>66 267</b>	64 843
Finished goods	<b>83 927</b>	66 792
Supplies	<b>12 724</b>	11 679
	<b>\$ 243 859</b>	\$ 213 544
<b>Note 4 — Short term borrowings</b>		
Bank borrowings of \$30 743 000 by subsidiary companies are secured by assignment of accounts receivable and inventories.		
<b>Note 5 — Investments and advances</b>		(in thousands of dollars)
Marketable securities — at average cost (market value 1981 — \$2 812 000 1980 — \$5 203 000)	<b>\$ 2 559</b>	\$ 3 197
Investment in associated companies valued at equity	<b>10 032</b>	14 509
Other investments and advances — at cost	<b>808</b>	776
	<b>\$ 13 399</b>	\$ 18 482
<b>Note 6 — Land, buildings and equipment — at cost</b>		
Land and buildings	<b>\$122 330</b>	\$113 651
Machinery and equipment	<b>326 848</b>	276 555
	<b>449 178</b>	390 206
Less: Accumulated depreciation	<b>239 850</b>	231 034
	<b>\$209 328</b>	\$ 159 172



	1981	1980
	(in thousands of dollars)	
<b>Note 7 — Long term debt</b>		
<b>Parent Corporation</b>		
<b>Secured</b>		
Sinking Fund debentures — Note 7(a)		
Series A maturing March 31, 1988 at 5 $\frac{5}{8}$ % interest	<b>\$ 18 652</b>	\$ 19 112
Series B maturing April 15, 1990 at 6 $\frac{3}{4}$ % interest	<b>7 866</b>	7 977
Series D maturing July 15, 1989 at 10 $\frac{1}{2}$ % interest	<b>10 200</b>	11 100
Series E maturing December 15, 1995 at 14% interest	<b>30 000</b>	—
Term notes — secured by Series C Collateral debenture — Note 7(a)		
Due 1982 to 1983 at 7% interest (payable in U.S. dollars)	<b>3 073</b>	4 060
Due 1981 at a Canadian bank's prime rate plus $\frac{3}{4}$ %	—	122
Term note		
Due 1981, interest free	—	1 293
<b>Unsecured</b>		
Convertible debentures — Note 7(b)		
Due October 12, 1992 at 5 $\frac{3}{4}$ % interest	<b>681</b>	2 031
Term notes		
Due 1982 to 1987 — Note 7(c), (payable in U.S. dollars)	<b>17 303</b>	17 231
Due 1982 to 1984 at 9 $\frac{1}{2}$ % interest	<b>1 050</b>	1 350
<b>Subsidiaries</b> (payable in U.S. dollars)		
<b>Secured</b>		
Term notes — Note 7(d)		
Due 1982 to 1986 at U.S. banks' prime rates plus $\frac{1}{2}$ % interest	<b>19 232</b>	20 858
Industrial Development Revenue Bonds		
Due 1996 at 13.7% interest — Note 7(e)	<b>20 144</b>	—
Due 1987 to 1996 at 8.0% to 8.9% interest	<b>1 180</b>	—
Term notes		
Due 1982 to 1983 at a U.S. bank's prime rate plus $\frac{1}{2}$ % interest	<b>2 434</b>	3 524
Due 1982 to 1983 at 13% interest — Note 7(f)	<b>5 333</b>	7 892
Other loans and mortgages	<b>2 810</b>	3 099
<b>Unsecured</b>		
Term note		
Due 1983 to 1990 at the London inter-bank offered rate plus $\frac{1}{2}$ % to 1% interest	<b>18 906</b>	17 756
Term notes — Note 7(d)		
Due 1981 at a U.S. bank's prime rate plus 1% interest	—	632
Due 1982 to 1993 at 10% interest	<b>3 198</b>	3 196
Due 1982 to 1993 at 10 $\frac{1}{4}$ % interest	<b>1 480</b>	1 480
Capitalized lease obligations		
Due 1982 to 2003 at an average of 10.5% interest	<b>7 764</b>	5 969
Other liabilities	<b>2 868</b>	2 952
Total long term debt — Note 7(g)	<b>174 174</b>	131 634
Deduct: Amounts due within one year	<b>14 329</b>	12 590
	<b>\$159 845</b>	\$119 044



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**Note 7 — Long term debt (Cont'd)**

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- (a) Sinking Fund and Collateral debentures are secured by a floating charge on all the assets (except real and immovable properties) of the Corporation. The Corporation has purchased \$1 828 000 Series A and \$884 000 Series B in anticipation of sinking fund requirements.
- (b) Debentures are convertible at the holders' option before October 12, 1982 into 90 Common shares for each \$1 000 of aggregate principal amount of debentures.
- (c) The interest rate fluctuates with changes in the lender's New York prime rate plus  $\frac{1}{2}\%$  to  $\frac{3}{4}\%$  or the London inter-bank offered rate plus  $\frac{3}{4}\%$  to 1% at the Corporation's option.
- (d) The provisions of the agreements for these obligations require, among other things, that certain subsidiaries (i) maintain working capital and net worth above specified minimum levels, (ii) maintain the ratio of debt to net worth within prescribed limits and (iii) limit the payment of dividends.  
These loans are secured by a charge on the shares of certain subsidiaries.  
The loans can be prepaid at any time at the Corporation's option without penalty.
- (e) The provisions of the agreement are similar to those contained in Note 7(d) except that the bonds are secured by a charge on the fixed assets of a subsidiary and are callable at the option of the Corporation beginning in 1987.
- (f) Balance of sale owing to former shareholders of Linn-Corriher Corporation, secured by the shares of the acquired subsidiary.
- (g) After allowing for pre-payments, the aggregate annual payments required on long term debt for years ending June 30 are:

	(in thousands of dollars)
1982	\$ 14 329
1983	17 429
1984	13 561
1985	14 636
1986	15 303
1987-2003	98 916
	<hr/> \$174 174

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**Note 8 — Leases**

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As at June 30, 1981 the future annual minimum payments for building and equipment leases that have initial non-cancellable terms in excess of one year are as follows:

	(in thousands of dollars)
1982	\$ 4 675
1983	2 360
1984	1 858
1985	1 220
1986	521
1987-1999	1 628
	<hr/> \$12 262



	1981	1980
	(in thousands of dollars)	
<b>Note 9 — Capital stock</b>		
Cumulative First Preferred — Note 9(a)		
Authorized — 4 306 shares		
Outstanding — 821 shares (1980 — 1 147 shares)	<b>\$ 82</b>	\$ 115
Second Preferred — Notes 9(b) and 12		
Authorized — unlimited shares		
Issued — 1 200 000 shares for \$25.00 each		
Series A — 600 000 shares	<b>15 000</b>	15 000
Series B — 600 000 shares	<b>15 000</b>	15 000
Common — Note 9(c)		
Authorized — unlimited shares		
Issued — 10 751 484 shares (1980 — 8 990 517 shares)	<b>92 091</b>	66 070
	<b>\$122 173</b>	\$96 185

- (a) Cumulative First Preferred shares are entitled to a fixed yearly dividend of \$7.00 per share.
- (b) Second Preferred shares — Series A are entitled to a cumulative dividend of \$2.00 per share per annum.  
 Second Preferred shares — Series B are entitled to a cumulative floating rate dividend equal to one-half of a Canadian Bank's prime rate plus 1.55% calculated and adjusted quarterly.  
 The Second Preferred shares are redeemable, in whole or in part, at the option of the Corporation after April 30, 1984, for Series A, and after June 30, 1984, for Series B, at prices declining from \$26.00 each to \$25.00 each on and after April 30, 1990. (Refer to Note 12 — Subsequent events.)  
 The Corporation has agreed to offer to purchase 120 000 Second Preferred shares, Series A, per annum commencing January 1, 1993 and 120 000 Second Preferred shares, Series B, per annum commencing July 1, 1997.
- (c) The following is a summary of the Common shares issued during the two years ended June 30, 1981:

	NUMBER OF SHARES		VALUE	
	1981	1980	1981	1980
			(in thousands of dollars)	
Balance at beginning of year	<b>8 990 517</b>	8 580 226	<b>\$66 070</b>	\$61 472
New issue	<b>1 500 000</b>	—	<b>22 122</b>	—
Conversion of 5¾% Convertible debentures	<b>121 500</b>	376 020	<b>1 350</b>	4 178
Dividend reinvestment and share purchase plan	<b>114 706</b>	—	<b>2 174</b>	—
Employee share purchase plan	<b>24 761</b>	34 271	<b>375</b>	420
Balance at end of year	<b>10 751 484</b>	8 990 517	<b>\$92 091</b>	\$66 070

There remain 61 290 Common shares reserved for the possible conversion of the 5¾% Convertible debentures at any time before October 12, 1982.

- (d) The deeds of trust and mortgage relating to the Series A, Series B, Series C, Series D and Series E debentures contain certain restrictions, customarily found in deeds of this type, pertaining to the amount of long term debt which may be issued, the declaration or payment of dividends and the reduction of capital. At June 30, 1981 the amount of shareholders' equity not restricted under the terms of the deeds was \$73 289 000.



**Note 10 — Segmented information**

The Directors have determined that the Corporation operates within the textile industry in various geographic areas which, for the 12 months ended June 30, can be segmented as follows:

(in millions of dollars)

	CANADA		UNITED STATES		EUROPE AND OTHER		ELIMINATIONS		CONSOLIDATED TOTALS	
	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980
Sales to outsiders	\$596.4	\$528.4	\$181.4	\$140.5	\$87.0	\$88.0	\$ —	\$ —	\$864.8	\$756.9
Transfer among geographic locations	—	.2	110.4	85.8	—	—	(110.4)	(86.0)	—	—
	\$596.4	\$528.6	\$291.8	\$226.3	\$87.0	\$88.0	\$(110.4)	\$(86.0)	\$864.8	\$756.9
Income from operations	\$ 65.3	\$ 61.2	\$ 28.4	\$ 15.9	\$ 6.8	\$ 9.1			\$100.5	\$ 86.2
Identifiable assets	\$445.1	\$381.8	\$141.0	\$ 91.4	\$59.5	\$54.0			\$645.6	\$527.2
Investment in associated companies									10.0	14.5
Total assets									\$655.6	\$541.7

**Note 11 — Commitments and contingencies**

At June 30, 1981, the Corporation has outstanding contractual obligations on fixed asset additions of approximately \$22 700 000.

Notes receivable discounted by foreign subsidiaries amount to approximately \$6 495 000.

**Note 12 — Subsequent events**

On July 2, 1981 the Corporation entered into an agreement with the holders of the Second Preferred shares, Series B, under which the Corporation purchased for cancellation the entire 600 000 Series B shares outstanding for a consideration of \$15 million. As part of this agreement, the former holders of the Series B shares have agreed to purchase a new series of Second Preferred shares in the principal amount of \$15 million, on or before June 30, 1982.



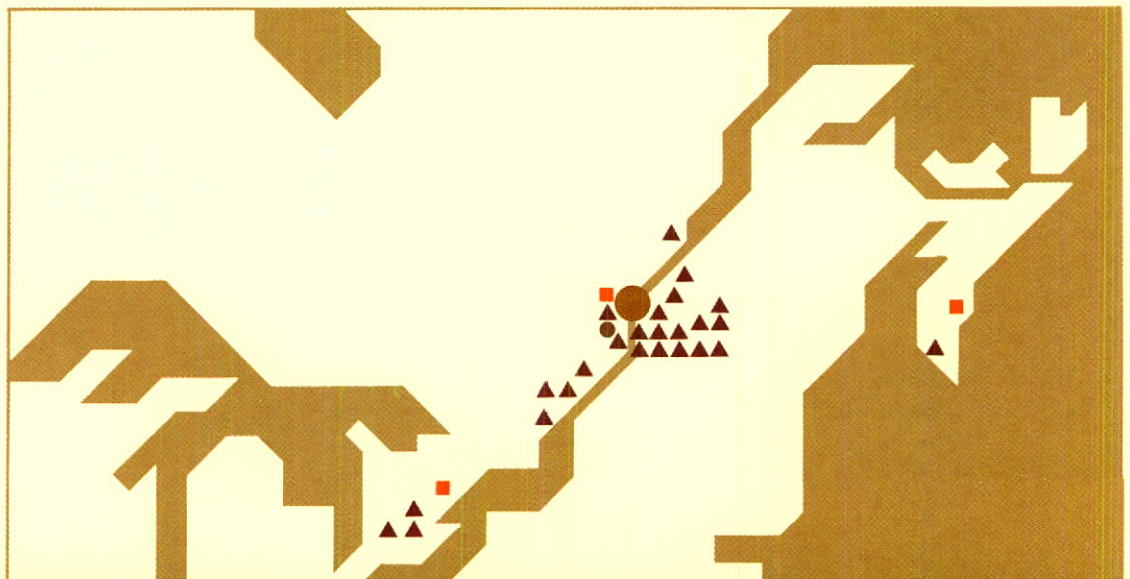
## Ten-year Review

<b>Results for the year</b> (in millions of dollars)	<b>1981</b>	1980	1979	1978	1977	1976	1975	1974	1973	1972
Sales	<b>\$864.8</b>	\$756.9	\$667.4	\$560.0	\$498.9	\$475.4	\$273.4	\$336.2	\$257.3	\$228.0
Income from operations	<b>100.5</b>	86.2	60.5	44.0	37.2	34.1	20.1	40.6	20.2	18.3
Income before income taxes	<b>74.8</b>	66.2	44.1	31.9	25.5	22.3	12.3	33.1	15.8	14.2
Income taxes	<b>28.6</b>	26.9	18.4	12.5	10.4	8.8	5.2	14.3	7.0	7.0
Other items, net	<b>(3.3)</b>	(4.4)	(.3)	(1.2)	(1.8)	(3.9)	—	—	—	—
Net income for the year	<b>42.9</b>	34.9	25.4	18.2	13.3	9.6	7.1	18.8	8.8	7.2
Net income applicable to Common shares	<b>40.3</b>	32.4	25.3	18.1	13.3	9.6	7.1	18.7	8.7	7.1
Interest — Long term debt	<b>18.4</b>	10.1	9.3	7.8	6.2	6.0	3.2	3.0	3.0	2.4
— Other	<b>8.6</b>	11.6	9.2	6.0	7.8	7.8	5.1	5.0	2.6	2.2
Funds generated from operations	<b>70.3</b>	59.8	42.9	39.2	30.1	26.3	21.9	34.8	24.6	22.2
Additions to fixed assets	<b>63.9</b>	33.4	22.2	19.2	22.1	18.7	21.7	17.8	24.7	11.7
Depreciation	<b>15.6</b>	14.3	12.6	13.9	13.9	14.2	12.1	12.3	11.0	10.6
<b>Year-end position</b> (in millions of dollars)										
Working capital	<b>251.8</b>	190.6	170.8	134.5	116.8	106.1	105.6	84.1	67.6	54.7
Land, buildings and equipment — at cost	<b>449.2</b>	390.2	344.6	326.9	313.4	304.7	294.5	246.3	230.3	201.8
Total assets	<b>655.6</b>	541.7	442.9	386.6	362.3	349.5	352.0	244.7	223.7	191.8
Long term debt	<b>159.8</b>	119.0	92.9	108.1	110.1	104.4	109.7	54.8	53.7	38.8
Shareholders' equity	<b>278.8</b>	223.4	195.0	139.5	124.2	115.5	110.5	108.3	93.6	88.3
<b>Statistics per Common share</b> (in dollars)										
Net income — Basic	<b>3.93</b>	3.66	3.02	2.31	1.71	1.23	.91	2.40	1.12	.92
— Fully diluted	<b>3.91</b>	3.55	2.80	2.04	1.51	1.10	.83	2.10	1.03	.92
Funds generated	<b>6.60</b>	6.46	5.11	4.98	3.85	3.37	2.81	4.46	3.15	2.84
Dividends	<b>1.06</b>	.94	.73	.64	.60	.60	.60	.50	.37	.30
Book value	<b>23.14</b>	21.50	19.19	17.37	15.85	14.75	14.13	13.82	11.92	11.24
Market value — High	<b>22.25</b>	16.50	15.13	12.25	9.50	10.00	11.00	11.75	10.88	10.67
— Low	<b>13.50</b>	12.00	10.25	7.88	6.88	7.50	6.00	7.50	7.43	5.08
<b>Other statistics</b>										
Working capital ratio	<b>2.4</b>	2.1	2.3	2.1	2.0	1.9	1.9	2.1	1.9	1.9
Net income as a percentage of sales	<b>5.0</b>	4.6	3.8	3.3	2.7	2.0	2.6	5.6	3.4	3.2
Net income as a percentage of average Common shareholders' equity	<b>18.2</b>	18.1	16.7	13.8	11.2	8.5	6.5	18.7	9.7	8.3
Number of shareholders	<b>6 699</b>	5 323	5 323	5 725	5 735	6 002	6 264	6 218	6 371	5 757
Average number of Common shares outstanding (in thousands)	<b>10 251</b>	8 864	8 383	7 855	7 811	7 809	7 798	7 788	7 787	7 787
Number of employees at year end	<b>13 700</b>	13 900	13 200	12 600	12 000	13 100	10 100	12 400	12 700	11 000





- Parent Corporation
- Subsidiary Companies
- Sales and Distribution Offices
- ▲ Manufacturing Facilities (owned)
- ◆ Manufacturing Facilities (Associates and Licensees)







**Parent Corporation**

Canada Montréal

**Subsidiary Companies**

Argentina Buenos Aires  
 Austria Innsbruck  
 Canada Montréal  
 England London  
 France Paris  
 Sélestat  
 Bielefeld  
 Kowloon  
 Milan  
 Osaka  
 Amsterdam  
 Singapore  
 Agno  
 Zug  
 Taipei  
 Columbus, Ga  
 Landis, N.C.  
 Memphis, Tenn.  
 New York, NY  
 Plymouth, Mass.

**Sales and Distribution Offices**

Luanda  
 Buenos Aires  
 Collingwood  
 Innsbruck  
 Brussels  
 Rio de Janeiro  
 Edmonton  
 Halifax  
 Montréal  
 Toronto  
 Vancouver  
 Winnipeg  
 Santiago  
 Bogota  
 Manizales  
 San José  
 Tanzania  
 Quito  
 San Salvador  
 London  
 Manchester  
 Paris  
 Bielefeld

GDR  
 Guatemala  
 Hong Kong  
 Ireland (North)  
 Ireland (South)  
 Israel  
 Italy  
 Japan  
 Kenya  
 Mexico  
 New Zealand  
 Nicaragua  
 Pakistan  
 Panama  
 Peru  
 Portugal  
 Puerto Rico  
 Scotland  
 Singapore  
 Spain  
 South Africa  
 South Korea  
 Sri Lanka  
 Taiwan

Berlin  
 Guatemala City  
 Kowloon  
 Belfast  
 Dublin  
 Tel Aviv  
 Milan  
 Osaka  
 Nairobi  
 Mexico City  
 Auckland  
 Managua  
 Karachi  
 Panama City  
 Lima  
 Lisbon  
 San Juan  
 Glasgow  
 Singapore  
 Barcelona  
 Durban  
 Seoul  
 Colombo  
 Taipei

Thailand  
 Trinidad  
 Turkey  
 United States  
 Venezuela  
 Yugoslavia

**Manufacturing Facilities**

(owned)  
 Argentina  
 Austria  
 Canada

Bangkok  
 Port of Spain  
 Istanbul  
 New York, NY  
 Caracas  
 Belgrade

Buenos Aires  
 Innsbruck  
 Brantford, Ont.  
 Drummondville, Qué.  
 Granby, Qué.  
 Hawkesbury, Ont.  
 Iroquois, Ont.  
 Long Sault, Ont. (2)  
 Magog, Qué. (2)  
 Montmorency, Qué.  
 Montréal, Qué. (4)  
 Paris, Ont.  
 Sherbrooke, Qué. (3)  
 St. Hyacinthe, Qué.  
 St. Jean, Qué.

Canada

England  
 France  
 FRG  
 Hong Kong  
 Ireland (North)  
 Italy  
 United States

**Manufacturing Facilities**

(Associates and Licensees)  
 Brazil Rio de Janeiro  
 Chile Santiago  
 Colombia Manizales  
 Mexico Mexico City  
 Peru Lima  
 Portugal Oporto  
 South Africa Durban  
 Venezuela Caracas

Valleyfield, Qué. (3)  
 Woodstock, Ont.  
 Yarmouth, N.S.  
 Brentwood  
 Sélestat  
 Bielefeld  
 Kowloon  
 Londonderry  
 Pero  
 Columbus, Ga. (2)  
 Landis, N.C. (3)  
 Plymouth, Mass.



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- Jean Béliveau, Montréal  
Senior Vice-President, Corporate Affairs  
Club de Hockey Canadien, Inc.
- \*Thomas R. Bell, Montréal  
President and Chief Executive Officer  
Dominion Textile Inc.
- Alex D. Hamilton, Montréal  
Chairman and Chief Executive Officer  
Domtar Inc.
- \*J. Claude Hébert, D.F.C., Montréal  
Chairman  
Petrofina Canada Inc.
- †Roderick O. A. Hunter, Winnipeg  
Company Director
- Gordon H. Lennard, Calgary  
President  
G.H. Lennard Corporation Ltd.
- Charles A. McCrae, New York  
Senior Vice-President, Corporate Planning  
Dominion Textile Inc.
- †Cal N. Moisan, Montréal  
President  
SPB Canada (1979) Inc.
- \*†Ronald H. Perowne, Montréal  
Chairman of the Board  
Dominion Textile Inc.
- \*David F. Sobey, Stellarton,  
Nova Scotia  
President  
Sobeys Stores Limited
- \*Kenneth A. White, K. St. J., C.D.,  
Toronto  
Chairman and Chief Executive Officer  
Royal Trustco Limited

- Ronald H. Perowne  
Chairman of the Board
- Thomas R. Bell  
President and Chief Executive Officer
- John A. Boland, Jr.  
Vice-President
- Paul-É. Boudreault  
Vice-President, General Manager,  
Sales Yarn
- Francis P. Brady, Q.C.  
Senior Vice-President,  
Industry and Government Relations
- Harry Braid  
Vice-President, General Manager,  
Consumer Products
- Arthur P. Earle  
Senior Vice-President,  
Operation Services
- Ilay C. Ferrier  
Senior Vice-President,  
Finance
- William N. Gagnon  
Senior Vice-President,  
Human Resources and International
- E. John Macfarlane  
Vice-President, General Manager,  
Industrial Products
- Alex R. McAslan  
Group Vice-President
- Charles A. McCrae  
Senior Vice-President,  
Corporate Planning
- William A. McVey  
Vice-President, General Manager,  
Apparel Fabrics
- Clifton M. Beck  
Vice-President, Secretary and General Counsel
- Richard G. Munro  
Treasurer
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Comptroller
- Laurie W. Alnwick  
Assistant Treasurer
- Robert B. Anderson  
Assistant Comptroller

\*Member of the Executive Committee  
†Member of the Audit Committee







